

June 9, 2010

ITEM NO. A1

AUTHORIZATION TO 1) SUBMIT A MIXED-FINANCE PROPOSAL AND CONTRACT FOR REDEVELOPMENT, EVIDENTIARIES AND DISPOSITION APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD); 2) COMMIT ARRA/CFRC STIMULUS PERMANENT LOAN FUNDS OF \$9,990,000 AND CHA GENERAL FUNDS NOT TO EXCEED \$3,000,000 TO THE OGDEN NORTH (PARK DOUGLAS) RENTAL REDEVELOPMENT; 3) ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF CHICAGO FOR CHA'S ACQUISITION OF SEVEN CITY-OWNED PARCELS; 4) EXECUTE A GROUND LEASE WITH THE OWNERSHIP ENTITY FOR THE PARK DOUGLAS RENTAL DEVELOPMENT; AND 5) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING.

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to: 1) Submit a Mixed-Finance Proposal and Contract for Redevelopment, Evidentiaries and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit ARRA/CFRC stimulus permanent loan funds of \$9,990,000 and CHA General Funds not to exceed \$3,000,000 to the Ogden North (Park Douglas) rental redevelopment; 3) Enter into an Intergovernmental Agreement ("IGA") with the City of Chicago for CHA's acquisition of seven city-owned parcels; 4) Execute a Ground Lease to the ownership entity for the Park Douglas rental development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

FUNDING

General Funds and Other Funds (Stimulus)

Redevelopment M/W/DBE Participation/ Section 3:
COMPLIANCE PENDING

PROCUREMENT HISTORY

On March 29, 2007, a Request For Qualifications (RFQ) under number #01498-ODM was released by the Chicago Housing Authority (CHA) and The Habitat Company (Habitat) under the Housing for Chicagoans Everywhere (HCE) program to competitively solicit qualified firms to provide replacement housing units to the CHA. On October 16, 2007 the CHA Board of Commissioners approved the authorization to maintain a pre-qualified pool of developers, development teams and multi-unit building owners, for the specific intention of delivering off-site replacement housing. On March 10, 2008 the annual HCE solicitation was released in order to expand the existing pool of developers and on June 17, 2008 the CHA Board approved the expansion of the HCE pool and extended the terms of Brinshore Development, LLC (Brinshore) and Michaels Development Company (Michaels) as eligible HCE pool members.

EXPLANATION

Development Entities

On April 21, 2009 the CHA Board of Commissioners approved B-M Ogden, LLC, a joint venture of Brinshore Development, LLC (Brinshore) and Michaels Development Company (Michaels), as the selected developer for the initial housing phase in the Lawndale Complex redevelopment area and to enter into a Redevelopment and Predevelopment Loan Agreement with B-M Ogden, LLC. The Park Douglas rental development will be owned by Ogden North, LLC. Ogden North, LLC is comprised of B-M Ogden, LLC as the general partner and an entity affiliated with The Richman Group as the limited partner. The limited partner will own 99.99% of Ogden North, LLC.

Park Douglas (Ogden North) Development Summary

The Park Douglas development (formerly known as Ogden North) will create 158 total housing units, including the subject of this board item, a 137 unit mixed-income rental development and a future 21 unit for-sale housing development. This first phase will be generally located in an area bounded by Talman Avenue to the east, West 13th Place to the south, Fairfield Avenue to the west, and Roosevelt Road to the north. The 137 rental units will be comprised of 60 public housing, 49 affordable, and 28 market-rate units. Of the 60 public housing units, 21 units will be located on land previously owned by CHA and the remaining 39 units will be constructed on land previously owned by the City of Chicago or the developer. Along with the 137 units of rental housing in Phase 1, there will be an on-site management and leasing office, maintenance facility, and small community space. The bedroom mix for the 137 rental units is described below:

UNIT SUMMARY

137 Rental Units				21 For Sale Units 7 City lots	158 Total Units
Unit Type	CHA ACC	Affordable	Market Rate	Market Rate	
1 BR	7	6	4	Construction	
2 BR	34	31	18	Commencement	
3BR	14	12	6	Date	
4 BR	5			Undetermined	
Total	60	49	28	21	158 Units

The Park Douglas project is designed to provide infill development to the existing, stable, housing stock of 3-flats and single family homes within the immediate project area, and to redevelop portions of the former Lawndale Complex public housing site. The architectural design of the proposed buildings is intended to reflect and complement the traditional, historical style of the North Lawndale community. Phase I will contain a total of nineteen 2-flats, 3-flats, 5-flats, 6-flats, and 9-flat buildings, with two courtyard structures of 17 and 48 units each. The buildings, reflecting a traditional architectural style, will be constructed of 100% masonry with limestone accents. The unit types will be mixed throughout each block, with a solid mix of ACC, affordable, and market rental units in each block, in efforts to create a strong, mixed income rental community. All buildings will be constructed with the same quality and materials so that the income levels of residents will be indistinguishable.

A portion of the land required to construct the development (16 lots) is owned by CHA and will be leased to Ogden North, LLC through a 99-year ground lease; the balance of the land will be acquired by Ogden North, LLC in fee simple from the City of Chicago (27 lots) or from B-M Ogden, LLC (9 lots) who acquired land from private owners. The City of Chicago will transfer title to CHA for seven (7) city-owned vacant lots that will eventually serve as the development site for the 21 for-sale housing units. As part of the redevelopment, one new street with utilities will be constructed by the Chicago Department of Transportation to support the new housing development.

Financing:

The total cost of Phase 1 is \$43,924,390 and is expected to be funded by the following sources of permanent financing:

- 1) \$2,750,000 First Mortgage: Enterprise plans to provide the permanent first mortgage loan in the approximate amount of \$2,750,000 with a fixed interest rate to be locked at the time of closing for a term up to 30 months. The loan is proposed to have a 16-year term and 30-year amortization period.
- 2) \$9,990,000 CHA ARRA/CFRC Loan: CHA will loan the Capital Fund Recovery Competition Grant awarded for this development in the amount of \$9,990,000 with a term of 40 years, plus construction period, bearing an interest rate of zero percent or a rate to be determined.
- 3) \$8,289,981 City of Chicago HOME Loan: The City of Chicago will loan approximately \$8,289,981 to the project with a term of 40 years bearing an interest rate of zero percent or a rate to be determined.
- 4) \$733,878 Illinois Affordable Housing Tax Credit (Donation Tax Credit) Equity: Approximately \$733,878 will be provided from the sale of \$917,348 Illinois Donation Tax Credits allocated by the City of Chicago based on \$.80 credit pricing. The credit is generated by CHA's ground lease donation value of \$1,060,000 and the City's land donation value of \$774,695 to Sinai Community Institute, Inc., a nonprofit affiliate of Mt. Sinai Hospital that will provide a minimum of 300 hours of social services annually to the residents of Park Douglas. Immediately upon receiving the donations at closing, Sinai Community Institute will transfer its interests in both the land and the tax credit certificates to Ogden North, LLC as a capital contribution.
- 5) \$21,942,431 LIHTC Equity: The LIHTC investor, created by The Richman Group Affordable Housing Corporation, will provide equity in the approximate amount of \$21,942,431. Equity will be generated by the syndication of approximately \$2,743,365 annual federal LIHTC from the City of Chicago's Department of Community Development ('DCD'). The equity amount is based on a purchase price of \$.80 per dollar for the ten year credit allocation. A construction loan in an amount not to exceed \$17,500,000 will be provided by Citi Community Capital, a division of Citibank, N.A., to bridge a portion of the equity during the construction period, for a term of 26 months (plus one 6-month extension) at an interest rate of 30-Day LIBOR plus an approximate rate margin of 2.75% on interest only payments.
- 6) \$218,000 Deferred Developer Fee: B-M Ogden, LLC will defer approximately \$218,000 of their total developer fee of \$2,567,828 to be reimbursed from cash flow during operations.

Additional project sources include \$3,870,944 in CHA Capital funds for demolition costs, Gautreaux Development Manager fees and other project administrative costs. Site remediation costs are projected for \$259,765 and will be authorized by a separate Board Resolution.

An amount of \$560,362 in CHA Capital funds have been disbursed to date to the Developer for eligible predevelopment costs in accordance with the predevelopment loan in the total amount of up to \$1,149,105.

Based on the foregoing, it is in the best interest of the Chicago Housing Authority to: 1) Submit a Mixed-Finance Proposal and Contract for Redevelopment, Evidentiaries and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit ARRA/CFRC stimulus permanent loan funds of \$9,990,000 and CHA General Funds not to exceed \$3,000,000 to the Ogden North (Park Douglas) rental redevelopment; 3) Enter into an IGA with the City of Chicago for CHA's acquisition of seven city-owned parcels; 4) Execute a Ground Lease to the ownership entity for the Park Douglas rental development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

RESOLUTION NO. 2010-CHA-73

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated June 9, 2010 requesting authorization to: 1) Submit a Mixed-Finance Proposal and Contract for Redevelopment, Evidentiaries and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit ARRA/CFRC stimulus permanent loan funds of \$9,990,000 and CHA General Funds not to exceed \$3,000,000 to the Ogden North (Park Douglas) rental redevelopment; 3) Enter into an Intergovernmental Agreement with the City of Chicago for CHA's acquisition of seven city-owned parcels; 4) Execute a Ground Lease to the ownership entity for the Park Douglas rental development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to:

- 1) Submit a Mixed-Finance Proposal and Contract for Redevelopment, Evidentiaries and Disposition Application to the United States Department of Housing and Urban Development (HUD);
- 2) Commit ARRA/CFRC stimulus permanent loan funds of \$9,990,000 and CHA General Funds not to exceed \$3,000,000 to the Ogden North (Park Douglas) rental redevelopment;
- 3) Enter into an Intergovernmental Agreement with the City of Chicago for CHA's acquisition of seven city-owned parcels;
- 4) Execute a Ground Lease to the ownership entity for the Park Douglas rental development; and
- 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

